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Public Employee Retirement Administration Commission
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M E M O R A N D U M

TO: All Retirement Boards

FROM: Robert F. Stalnaker, Executive Director

RE: Calculation of the Option (c) pop-up allowance when a section 90A, 90C or 90D increase has been granted

DATE: April 23, 1999

This memo is a follow up to PERAC memo #53 dated November 6, 1998, concerning how to calculate the Option (c) pop-up allowance when a Section 90A, 90C or 90D increase has been granted. The correct way to calculate the pop-up allowance for an employee who has been granted a section 90A, 90C or 90D increase is to first determine the allowance of the employee, under Option (c), without regard to the increase under Sections 90A, 90C, or 90D. This amount should be “popped-up” and compared to the enhanced benefit pursuant to sections 90A, 90C or 90D, with any subsequent COLAs included. The member should receive the greater of these two benefits.

In G.L. c. 32, s. 12(2) (Option (c)), the pop-up allowance is determined by “multiplying the amount of the **lesser** retirement allowance at the time of death of such eligible beneficiary by a fraction the numerator of which is the yearly amount of the full retirement allowance which such member would have received at the time his retirement allowance became effective if he had elected that it be paid in accordance with the terms of Option (a), and the denominator of which is the yearly amount of the **lesser** retirement allowance which such member received at the time his retirement allowance first became effective” (emphasis supplied).

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Section 90A, 90C or 90D increases the retirement allowance of eligible retirees. The enhanced benefit cannot be greater than 50% of the rate of regular compensation payable to employees holding similar positions to that from which the employee retired. It increases the retirement allowance of such employees to the same amount, **regardless** of the retirement option selected upon retirement. (If the member's benefit is already greater than the amount that would be paid under section 90A, 90C, or 90D, no adjustment is made.) By granting such an increase, the enhanced benefit is no longer the **lesser** retirement allowance as calculated in section 12(2) (Option(c)).

The following example should clarify this situation.

	<u>Harry</u>	<u>Joe</u>
1) a) Retired 12/31/86 with an Option (c) Benefit of:	\$9,000	\$9,000
b) Option A would have been:	\$12,000	\$12,000
c) Option (c) conversion factor:	0.7500	0.7500
2) a) 1988 COLA	\$360	\$360
b) Benefit on 7/1/88 [1a + 2a]	\$9,360	\$9,360
3) On 12/6/91 Joe's spouse died		
a) Benefit on 12/31/91 [(for Joe) = 2b / 1c]	\$9,360	\$12,480
4) a) 1992 COLA	\$450	\$450
b) Benefit on 1/1/92 [3a + 4a]	\$9,810	\$12,930
5) a) In 1993 Sect. 90C is passed @ 50%		
b) 50% of position pay:	\$13,000	\$13,000
6) a) 1994 COLA	\$270	\$270
b) Benefit on 7/1/94 [5b + 6a]	\$13,270	\$13,270
7) a) 1996 COLA	\$270	\$270
b) Benefit on 11/1/96 [6b + 7a]	\$13,540	\$13,540
8) a) 1998 COLA	\$252	\$252
b) Benefit on 7/1/98 [7b + 8a]	\$13,792	\$13,792
9) a) Allowance if 90C was not adopted *	\$10,567	\$13,722
10) On 1/6/99 Harry's spouse died		
a) Benefit on 2/1/99 [(for Harry) 9a / 1c, but not less than 8b]	\$14,089	\$13,792

* For Harry, allowance if 90C not adopted: 7/1/94-\$10,080, 11/1/96-\$10,350, 7/1/98-\$10,567.

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In the example above, Harry and Joe both worked in the same job position and retired on the same day. They both elected an Option (c) benefit at retirement. Joe's spouse dies in December, 1991 and his benefit "pops-up" as described in PERAC Memo #53 (item3).

In 1992, both Joe and Harry receive a COLA increase (item 4). Section 90C is passed in 1993. In this example, 50% of the current position pay is assumed to be \$13,000. Since each allowance is less than \$13,000, both allowances are increased to \$13,000 (item 5). This amount is then increased with COLAs through 1998 (items 6-8). Item 9 shows the amount that would have been payable if Section 90C had not been adopted (the amount that would have "popped-up" absent Section 90C). When Harry's spouse dies, the "pop-up" is determined based on Memo #53 and using item 9. Since the "popped-up" amount is greater than the current allowance, the "popped-up" amount is payable.

We trust the foregoing is of assistance. If you have any questions concerning this matter, do not hesitate to contact this office.